

From: "Shari DeMaris" <sdemaris@isbt.com> on 05/04/2005 05:27:16 PM

Subject: EGRPRA

May 4, 2005

Re: EGRPRA – Request for Burden reduction Recommendations

Ladies and Gentlemen:

We appreciate the opportunity to comment on reducing regulatory burden from money laundering, safety and soundness, and securities rules. Iowa State Bank & Trust Co. is a \$545-million community bank with seven locations in four cities in eastern Iowa. The FDIC is our primary regulator.

In general, complying with BSA and the USA Patriot Act has become a substantial burden for our bank. Because of the continuous customer monitoring, periodic due diligence and ongoing staff training, we would anticipate a significant increase in both personnel and system costs in order to meet expectations.

Currency Transaction Reports

The current threshold for filing Currency Transaction Reports is too low. The threshold of \$10,000 for cash transactions and \$3,000 for monetary instruments have not been adjusted for inflation since the inception of the rules approximately 30 years ago. The current levels are not indicative of large transactions today.

We recommend raising the threshold for cash transactions to \$25,000 and the threshold for monetary instruments to \$10,000.

CTR Exemptions

Since we must conduct an annual review of exempt persons to determine that they remain eligible for exemption, the biennial reviews seem redundant, particularly when the exempt person's business, transactions and financial products/services have not substantially changed from the initial designation. We recommend elimination of the biennial filing and that a subsequent filing be required only when there is a substantive change from the initial designation.

Tracking of Filings

We would benefit from being able to obtain a listing of all CTRs and SARs that have been filed with the IRS Detroit Computing Center on annual basis. This information is available to our examiners and would be invaluable to us in conducting internal audits and in preparation for a visit by our examiners.

Monitory of High Risk Customers

We would request additional, specific guidance from the regulators surrounding the

identification of “high risk” customers and the subsequent monitoring of such accounts. Our current system vendor is not equipped to provide assistance; in addition, we are not in a position to purchase a separate system to accomplish this task.

Suspicious Activity Reports

We would request that the regulators give clear and definite guidance as to what is required in the narrative section of a SAR. Banks would benefit from a uniform, easily completed form for reporting suspicious activity that specifies the detail required to give law enforcement sufficient evidence.

We believe that once a report has been filed, a bank should not be required to continue filing a follow up SAR every 90 days. This practice is extremely burdensome. The only time a bank should re-file is if the pattern of activity changes. If an agency requires more information from the bank, that information should be requested.

In addition, we recommend that the threshold for SARs be increased. SAR thresholds have not been increased since their inception. Violations at the current levels of \$5,000 and \$25,000 do not represent large transactions today. Our bank wants to provide information that law enforcement agencies will use, and not clog the system with SARs for amounts such law enforcement agencies do not consider a priority. Reports should be filed for violations aggregating to \$25,000 or more where a suspect can be identified. Reports should be filed for violations aggregating to \$50,000 or more regardless of potential suspects.

Identify Theft/Fraud

We have specific requirements for a customer to change the address of record attached to his/her accounts. Changes of address require the customer to come to the bank, produce a picture ID and sign a change of address form. Our tellers are required to document this ID information, and the fact that it was verified.

We do not understand why the US Post Office does not require similar procedures. Any person can obtain and submit change of address information anonymously. There is no positive identification before someone’s mail is rerouted. While we do our best to make sure our customers receive their account information (and that no one else receives it), fraud could still be committed against our customers because the US Post Office is not held to standard similar to financial institutions when safeguarding sensitive information.

Privacy Notices

The annual privacy notice that banks must send to customers is not only burdensome and costly, but the language required is confusing to customers. We recommend that the annual mailing requirement be eliminated and, instead, the requirement should be for a new notice to be delivered to consumers only when there is a substantial change in the bank’s policy.

Electronic Funds Transfers (Regulation E)

Consumer liability from unauthorized transactions resulting from writing their personal identification number on a card or keeping the PIN in the same location, as the card should be increased from \$50 to \$500. It is unfair for banks to be presumed liable in every instance for

unauthorized electronic transactions. Consideration should also be given to shifting a portion of the responsibility to merchants who accept signature-based transactions requiring the merchant to verify the customer's signature; if they fail to verify the signature, they should be held accountable.

In addition, we believe that the 60-day period for customers to dispute activity is too long. We would recommend that customers be given 30 days from the date of their statement to dispute such activity.

Annual Independent Audits and Reporting Requirements

The current application of the FDICIA rules to institutions that are less than \$1 billion in assets and are not publicly traded is extremely burdensome. We would support raising the FDICIA internal-control reporting threshold under Part 363 to \$1 billion in assets for non-publicly traded banks.

Summary

As the number of regulations facing the banking industry increases, so does the overall cost of compliance. There is not any one regulation that community banks are unable to comply with – it is the cumulative effect of all regulations that is so onerous. Even though each new requirement may be designed to address a particular problem, over time it all adds up to an unwieldy burden. With the complexity and volume of new regulations coupled with the lack of consistent guidance from regulators, financial institutions can never be certain of whether they are adequately complying with ever-changing and increasing requirements.

We appreciate this opportunity to provide comments on, as well as the Agencies' concern with, reducing the regulatory burden.

Respectfully,

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